

Agenda Date: January 26, 2005
Item Number: A1

Docket: UT-042045
Company Name: VCI Company

Staff: Roger Kouchi, Regulatory Analyst

Recommendation:

Deny the petition of VCI Company (VCI or Company) for an exemption of WAC 480-120-162(2), limiting the transaction fee charged by payment agencies for processing telecommunications company customer payments.

Discussion:

VCI is a regulated telecommunications company that serves approximately 15,000 customers. The majority of VCI customers are enrolled in the Washington Telephone Assistance Program (WTAP). WTAP provides financial subsidies for low-income customers' telephone bills.

The Commission's Business Practices Investigation Section recently completed an audit of VCI's business practices, which began as a result of the high number of customer complaints received at the Commission between July 2003 and March 2004. Within that audit, Staff found VCI in violation of WAC 480-120-162(2). This rule requires that VCI establish at least one payment agency where customers can make cash and urgent payments free of charge. In addition, the rule allows VCI to establish additional payment agencies that may charge not more than \$1.00 for receiving payments. Staff's investigation revealed that VCI's payment agencies were charging between \$5.00 and \$5.95 per transaction.

On June 21, 2004, Staff mailed VCI a copy of the audit report and requested the company meet with Staff to reach an agreement on the appropriate actions required of the company to achieve compliance with Commission rules. Staff and VCI met a number of times over the next several months to discuss areas where VCI needed to make changes to comply with Commission rules. Staff and the Company could not reach agreement on how VCI would comply with WAC 480-120-162(2) regarding payment agencies. VCI's petition for an exemption is the result of that inability to reach agreement.

On November 18, 2004, VCI filed a petition for an exemption of the portion of WAC 480-120-162(2) that limits payment agency transaction fees to \$1.00. On December 16, 2004, VCI requested a delay in the open meeting date until January 26, 2005, because of VCI's principal, and attorney were not available to attend the earlier date set to hear VCI's petition.

VCI uses retail facilities that offer a service called "Moneygram" to process cash and urgent payments. This service costs customers between \$5.00 and \$5.95 per transaction. Approximately 2,500 VCI customers use the Moneygram payment locations each month. VCI estimates that it would cost the Company approximately \$14,000 monthly to absorb the cost of the Moneygram transaction fees.

Payment agencies are very important to customers and especially to low-income customers. Low-income customers are the least likely to have checking accounts, often paying bills in cash just in time to prevent disconnection. These customers need a place where they can make cash payments and urgent payments that must be made by a date certain. The company's own numbers (2,500 a month out of 15,000 customers, or almost 17 percent) show how important the payment agencies are to VCI's customer base. Requiring an additional \$5.00 - \$5.95 per month for the Moneygram transaction fee causes hardships for low-income customers.

In reviewing the Company's request, Staff considered the convenience to the customer, the costs to the customer, the costs to the company, and the fair and equal treatment of all telecommunications companies and customers. Payment agencies that meet the criteria of WAC 480-120-162(2) are available. Qwest has approximately 60 such payment agencies statewide that charge \$1.00 or less to process cash and urgent payments. The Commission has not granted an exemption of this rule for any company to date.

Conclusion:

Staff recommends the Commission deny the petition of VCI Company for an exemption of WAC 480-120-162(2), limiting the transaction fee charged by payment agencies for processing telecommunications company customer payments.